

Message Text

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E.O. 11652: N/A

TAGS: EFIN, EGEN, SP

SUBJECT: FINANCE MINISTER GIVES PRESS INTERVIEW

1. FINANCE MINISTER CARRILES GAVE "YA" (CATHOLIC NEWS-PAPER) AN INTERVIEW ON NOVEMBER 6. CARRILES REMARKS TEND TO REASSURE INTEREST GROUPS WITHOUT VENTURING TO STATE WHAT SPECIFIC ECONOMIC SACRIFICES, IF ANY, WILL BE NECESSARY FOR SPANIARDS.

2. KEY POINTS CARRILES MADE WERE:

--MONETARY POLICY MUST BE EXECUTED IN "AN EXTREMELY CAREFUL MANNER," TAKING INTO CONSIDERATION THE NEED TO FINANCE BUSINESS AND AVOID AN ECONOMIC SLOWDOWN;

--TAX REFORM WOULD BE "USELESS" UNTIL AFTER OTHER (UN-SPECIFIED) MEASURES MAY BE TAKEN;

--THE POSSIBILITY OF NEW FOREIGN LOANS TO SPAIN IS OPEN;

--THE GOVERNMENT CONTINUES TO SUPPORT STOCK MARKET PRICES TO PROTECT "THE MILLIONS OF SPANIARDS WHO HAVE INVESTED THEIR SAVINGS" IN IT;

--THE ROLE OF THE BANK OF SPAIN IS TO TAKE ORDERS FROM THE GOVERNMENT THROUGH THE MINISTRY OF FINANCE ON MATTERS OF MONETARY AND CREDIT POLICY.

3. COMMENT: TO KEEP THE ECONOMY (OVER) STIMULATED DURING

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THIS TENSE POLITICAL PERIOD AND POSSIBLY TO MEET SOME

BUSINESS CONCERN WITH THE INADEQUACY OF CREDIT, THE GOS
HAS OPTED TO PUMP MORE LIQUIDITY INTO THE PRIVATE
BANKING SYSTEM. BANK OF SPAIN OFFICIALS ESTIMATE THIS
WILL RESULT IN A 21 PERCENT INCREASE IN THE MONEY SUPPLY
ON AN ANNUAL BASIS (AT THE MOMENT INFLATION IS NO HIGHER THAN
19 PER CENT). IN HIS REMARKS, THE FINANCE MINISTER HAS
PUBLICLY RULED OUT FOR THE TIME BEING THE MORE RESTRICTIVE
MONETARY POLICY REQUIRED BY SPAIN'S CURRENT ECONOMIC SIT-
UATION. THERE IS ALSO AN INDICATION IN THIS INTERVIEW OF
A DIFFERENCE OF OPINION BETWEEN CARRILES AND SOME TOP BANK
OF SPAIN OFFICIALS WHO FAVOR A SLOWER EXPANSION OF THE
MONEY SUPPLY THAN IS NOW GOVERNMENT POLICY.
STABLER

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